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C O N F I D E N T I A L JAKARTA 001391

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TAGS: [EFIN](#) [KTFN](#) [ETTC](#) [PTER](#) [PREL](#) [ID](#)

SUBJECT: ENHANCING INDONESIA'S ABILITY AND CAPACITY TO
COUNTER FINANCING OF TERRORISM

REF: SINGAPORE 779

Classified By: Classified By DCM Ted Osius for reasons 1.4 (b)
and (d).

¶1. Action Requests contained in paras 13-15.

¶2. (C) Summary: With indications of possible foreign financing of the July 17 Jakarta bombings, the USG should step up engagement with the Government of Indonesia to determine how we can work together to enhance the GOI's capacity to counter the financing of terrorism. Mission offers some concrete suggestions below. End summary.

Background

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¶3. (C) Indonesia's priority in recent years has been to capture and/or kill terrorists and it has achieved a hard-won, solid record on that score. It has not achieved the same measure of success in tackling the threat posed by financing of terrorism in this vast, porous archipelago. The Financial Intelligence Unit, PPATK, has developed improved capacities and reports that it has handed over 86 records of financial transactions potentially related to terrorism to the Indonesian police in the past five years.

¶4. (C) Deficiencies in the Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT) legal framework, however, limit the GOI's ability to effectively prosecute TF crimes. Indonesia's terrorism financing laws do not cover funding for all offenses listed in the United Nations Terrorism Finance Convention. Indonesia also lacks an effective asset forfeiture regime to freeze assets of entities designated by the United Nations 1267 Committee on its Consolidated List.

¶5. (C) Indonesian officials have in the past

been reluctant to tackle head on politically sensitive issues such as funding of charities and some have expressed reservations about elements of the 1267 Committee process. This appears to be beginning to change, albeit incrementally. Indonesia's launch earlier this year of a domestic review of its Non-Profit Organizations (NPO), with the assistance of the U.K. Charities Commission, is a positive step forward to addressing problems in this area.

¶6. (SBU) The U.S. government has engaged Indonesia on countering the financing of terrorism through both multilateral and bilateral channels and via policy dialogue and capacity building. Additional targeted bilateral engagement could support multilateral efforts to address legal and procedural deficiencies and to improve Indonesia's capacity to counter the financing of terrorism. The steps recommended in paras 13-15 are consistent with the priorities expressed by ASEAN partners at the recent Asia/Pacific Group on Money Laundering annual meeting reported in reftel.

Policy Engagement

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¶7. (SBU) CFT policy engagement with Indonesia has occurred most often through multilateral channels. Indonesia has been thought to be more receptive to and more likely to engage in meaningful action

to improve its AML/CFT regime via multilateral policy engagement. Through the Financial Action Task Force (FATF) regional body, Asia/Pacific Group on Money Laundering (APG), the U.S. and other APG partners have pressed Indonesia to take the steps needed to become fully compliant with FATF's 40 Recommendations on Money Laundering and 9 Special Recommendations on Terrorism Financing. This multilateral engagement is leading to incremental progress, including Indonesia formally expanding the duties of its National Coordination Committee (NCC) to include coordinating government CFT action and the appointment of PPATK as focal point for CFT efforts. There has been some limited progress on regulatory provisions to address specific deficiencies in Indonesia's AML/CFT regime, but legislative efforts remain works in progress.

¶8. (SBU) Yunus Husein, the head of PPATK, advised DOJ/OPDAT August 20 that he had sent a formal request to the Minister of Law and Human Rights seeking to add a new terrorism finance law to the national legislative agenda. Husein advised that PPATK has nearly completed and will shortly send to the Minister a White Paper explaining why the legislation is needed. PPATK will then begin to draft the new terrorism financing bill.

¶9. (SBU) Visits by senior U.S. officials have advanced bilateral policy engagement, but such visits have occurred relatively infrequently. Treasury Assistant Secretary for Terrorist Financing Patrick O'Brien's April 2008 visit to Jakarta was the last significant visit by a senior USG official focused on CFT.

¶10. (C) Department of Defense's CFT effort in Pacific Command (PACOM) remains nascent pending approval of the Counter Threat Finance Directive by Deputy SECDEF. Once approved, we look forward to the collective contribution of DOD towards this critical effort.

Capacity Building: Role and Current Bilateral Efforts

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¶11. (SBU) Through bilateral channels, Treasury, USAID, Justice, the FBI and ICE have provided a variety of capacity building programs to combat financial crimes, including countering the financing of terrorism. Indonesian officials have been receptive to CFT training for Indonesian investigators, prosecutors and judges. They have also identified some specific areas where further training could improve Indonesia's capacity to develop and carry out CFT efforts.

¶12. (SBU) The U.S. government is helping to build CFT capacity in a number of Indonesian institutions. Activities include:

--From January 5-16, 2009, 22 GOI officials participated in an AML/CFT course in Washington, DC via a USAID-funded training program. The purpose of the training was to improve the capacity of the GOI participants in enforcing AML controls. The officials came from the Indonesia Financial Transaction Report and Analysis Center-PPATK (15 persons); the Supreme Audit Board (1); the Ministry of Finance Inspectorate General's Office (5); and the Ministry of Law and Human Rights (1). The training focused on analytical and investigative skills to combat money laundering and terrorism financing.

-- From June 17-26, DOJ/OPDAT and Emboff brought 11 prosecutors from the Terrorism and Transnational Crime Task Force to Seattle, New York and Washington

to meet with DOJ officials, including DOJ's National Security Division Terrorism Financing Section, to discuss strategies to increase terrorism financing and AML prosecutions.

-- From June 23-27, 2009, State Diplomatic Security sent six POLRI Investigators to ILEA Bangkok where they attended the Complex Financial Investigations Course.

--From August 24-28, the Federal Bureau of Investigation, through the Jakarta Legat Office (and with financial assistance from its International Training and Assistance Unit), will sponsor a week-long course on Terrorist Financing and Money Laundering in Jakarta. Instructors for the course are from both the FBI and the Treasury Department's Internal Revenue Service. The course will focus on fundamental techniques terrorists and criminal elements use to conceal assets, launder funds and wash the origin of funds to avoid tracing and present investigative techniques to counter these measures, identify perpetrators, locate assets and develop a case for prosecution. Participants will include 22 investigators from the Indonesian National Police, including 6 investigators from the counterterrorism group Detachment 88; 5 investigators from the Corruption Eradication Commission (KPK); 4 investigators from the National Narcotics Board (BNN); 2 investigators from the FIU Indonesian Financial Transaction Reports and Analysis Center (PPATK); 2 prosecutors from the Attorney General's Office; and 3 judges at the forefront of terrorist and corruption cases.

-- In early 2010, Internal Revenue Service Criminal Investigation (IRS CI) plans to conduct, with INL funding, two one-week courses on financial investigative techniques for terrorism finance and money laundering aimed at police, analysts and prosecutors. Instructors will include IRS and FBI agents.

-- In early 2010, DOJ/ICITAP plans to conduct three to four sessions on AML, CFT and Asset Forfeiture with police, analysts, prosecutors and judges. DOJ/ICITAP intends to use instructors from FBI, Treasury and DOJ.

Next Steps

¶13. (C) Targeted bilateral engagement focused on the development of the institutions responsible for addressing the deficiencies of Indonesia's current AML/CFT regime could reinforce our engagement in multilateral fora. Senior-level visits by USG CFT officials would provide an important opportunity to exchange views with senior GOI counterparts on current CFT challenges and identify opportunities for additional areas of cooperation. We urge USG CFT officials to schedule a visit soon to take advantage of what may be a window of opportunity and increased receptivity to additional CFT engagement.

¶14. (C) Embassy Jakarta supports directing additional resources that may become available to building the capacity of specialized teams central to Indonesia's CFT efforts. As noted above, PPATK's Husein asked DOJ/OPDAT for USG assistance in drafting a new terrorist financing bill. Mission supports this request. DOJ/OPDAT also plans to continue providing technical assistance to assist the GOI in developing a non-conviction based asset forfeiture mechanism, which Indonesian law still lacks. This remains a significant obstacle to building an effective AML/CFT regime in Indonesia. We should fund select exchanges with key officials responsible for developing and implementing an improved

AML/CFT regime designed to expand professional networks, as well as to deliver targeted technical assistance.

¶15. (C) USG sponsorship of intermediate and advanced training courses would assist Indonesia to build a core cadre of investigators, analysts, prosecutors and judges with the skills needed to counter financing of terrorism and money laundering. Indonesian Police (INP) investigators would greatly benefit from additional DS/ATA and/or ILEA courses focused on expanding their CFT capacity. PPATK contacts have said that cross-border cash movements are an issue of immediate and growing concern and suggested that Indonesian border control officials could greatly benefit from additional training and technical assistance in countering cross-border bulk cash transfers. Mission is engaged with DHS/ICE agents in both Jakarta and Singapore to develop an ongoing series of programs to enhance GOI ability to target and interdict cash couriers. Programs aimed at detecting terrorism financing and money laundering tailored for reporting parties would also improve the capacity of the Indonesian financial system to counter these crimes, PPATK officials advised.

Other

¶16. (C) The Embassy looks forward to the October/November TDY visit of Derek Politzer, Office of Intelligence and Analysis, Department of the Treasury. The visit will focus on identifying additional areas in which we can work with Indonesia to improve our CFT cooperation.

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